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THE MAGAZINE OF CORPORATE MANAGEMENT

AUGUST 1989 $3.00

LEONARD SILK ON ATTILA THE HUN AS CEO

SPECIAL REPORT

EUROPE OR BUST!

How Bold Managers Are Seizing The Grand Opportunities Of 1992

BENEFITS

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MARKETING

How Companies Can Make Team Selling Really Work

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LETTERS

MANAGEMENT TEAMWORK

The article "Hot Managers, Sizzling Cities" (June) is excellent. There is much to be gained through the interchange of ideas between successful cities and those undergoing similar revitalization efforts. Teamwork among government, business, and community is the formula used by today's city managers to keep cities streamlined, alive, and thriving.

CLAIRE ROSACCO
Press Secretary
Mayor's Office
Cleveland, Ohio

SANE SALARIES

Andrew Richter's column "Putting Some Sanity Back in Salaries" (Compensation, June) struck a responsive chord. The problem of pay-scale compression is all too familiar to me. I recently took over management of an R&D group and found that I had to pay new scientists significantly higher salaries than what people already there earned.

I learned, however, that something could be done about this. For one thing, I asked personnel to perform an evaluation of the salaries in my group, and after taking an industry survey, they agreed that the group was underpaid. This enabled me to extend the range of the group's job grades without creating new titles and an artificial layer of management.

Then, instead of going for little increases one at a time on the basis of what I could get through without heavy scrutiny, I decided at which level an employee should be and then worked with personnel and management to come up with a several-step plan to correct the salary level. That way, everyone knew what to expect from the beginning.

Of course, none of this works unless you reward only your good employees. Try it as an undifferentiated approach, and you'll lose all credibility.

LARRY MAKOW
Manager, R&D
Siemens Medical Systems, Inc.
Iselin, New Jersey

In dealing with the difficulty and high cost of recruiting MBAs, noted by Andrew Richter and others in your pages, companies should consider the part-time MBA programs available to their workers in most metropolitan areas. Employee/students already know their firm's culture and priorities, so they can immediately relate their evening course work to their employer's needs during the day. And since the "homegrown MBA" is already known to the firm and has job seniority and roots in the community, retention is more certain and recruiting pains are eliminated.

JACOB DE ROOY
Director, MBA Program
School of Business Administration
Pennsylvania State University
Harrisburg, Pennsylvania

OVERLOOKED WORKERS

In her column on U.S. industry's labor shortages (Human Resources, April), Audrey Freedman overlooked a group of people that could help solve this problem: those labeled "disabled." According to various studies, two-thirds of Americans with disabilities are unemployed, and only 48 percent of disabled workers who are out of jobs for five months or longer ever return to work.

These workers have proved themselves reliable employees. And given the decline in physical barriers and the move toward an information economy, they should be considered a viable source to help fill the labor gap. The Mad Hatters Educational Theatre for the Understanding of People with Special Needs or Disabilities provides performances and training for employers and others to prove that disabled people can be able workers.

ROBERTA ROBINSON
Executive Director
The Mad Hatters
Kalamazoo, Michigan

Address letters to Letters Editor, BUSINESS MONTH, 488 Madison Avenue, New York, NY 10022. All letters for publication must include the writer's name, address, and telephone number.

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MEMBER AUDIT BUREAU OF CIRCULATIONS

arrives at work early and stays late. The disease they point to is corporate crime: theft, embezzlement, or espionage.

Although exact figures are hard to pin down, some security-industry experts estimate that crimes committed by employees and executives cost corporations as much as $100 billion a year. And according to Barry Brandman, vice president of Danbee Investigations, a firm that specializes in uncovering insider crimes, there is a 50-50 chance that employees are stealing from their companies at any given time. Even so, when an employer begins to suspect one of his employees, he is often unsure of where to go for help, which means corporate crimes are rarely detected and rarely reported.

Most corporations fall victim simply because their executives can't recognize the clues. For example, an employee who often wanders outside his normal work area may be gathering information for a competitor. A former executive who maintains unusually close ties to his previous employees may be doing so to gather proprietary information from them. Unexplained inventory shortages, a sudden decrease in a customer's orders, and overly friendly relationships between employees and outside truckers could point to inventory theft. Rewritten account entries and large purchases from vendors without competitive bidding suggest the possibility of embezzlement or kickbacks.

If a CEO suspects something is amiss, he should probably call in an outside firm, such as Danbee, to ferret out the culprits, since most employers find it difficult to investigate their colleagues and an unsubstantiated accusation can open up the firm to litigation. Brandman recalls one investigation in which he used a hidden video camera to catch an executive who had been taking company files and turning them over to a competitor. He was a trusted employee and never would have been suspected if he hadn't been caught in the act. —*KEITH GIRARD*

Learning to Take Risks

MIT HAS NOW JOINED the chorus of critics who are warning the managers of America's industrial companies that they are losing ground to their foreign competitors and may lose the race into the next century. According to its massive two-year, 345-page study, "U.S. industrial performance is in serious trouble." To hold their lead, the researchers suggest, American managers must adjust their attitudes toward the work force.

If productivity is to improve, managers must treat labor as an asset rather than a cost. The system in which employees are viewed as replaceable cogs on a wheel, whose only use is to perform repetitive tasks, must be abandoned. Productivity will improve when every manager and worker knows the ins and outs of the entire production process. From this resource of well-rounded workers will come more risk taking and innovation.

But skilled and flexible workers must be educated. The study found that the passive "follow Joe around" method of employee training doesn't work. Frequent job rotations to familiarize both workers and managers with all phases of production and constant hands-on training and retraining need to be part of the normal work schedule.

Finally, a flexible, risk-taking worker is useless in the rigid structure characteristic of most American corporations. A more productive management structure would be a kind of flattened hierarchy that allows superstars to shine, even as the diverse talents of the team combine to win the game. To promote this structure, managers need to reward both the individual who has a great idea and the teamwork that made the idea a reality. Sort of like the Boston Celtics.

—*P.K.*

Bailing Out for Profit

DESPITE THE EFFORTS OF CONGRESS AND THE IRS to tangle the most controversial token of corporate management's generosity to itself, the golden parachute is soaring even higher these days. According to *Mergers & Acquisitions* magazine, nearly 3,500 companies merged, acquired, or LBO'd last year, sending scores of executives hunting for jobs and pulling rip cords. In an environment where no company is safe from a takeover, golden parachutes—and the tin parachutes demanded by less exalted managers—have become an essential tool for attracting talented executives. The following chart shows the extraordinary growth in the number of large industrial companies that offer golden parachutes to their executives. The sky is filling up fast.

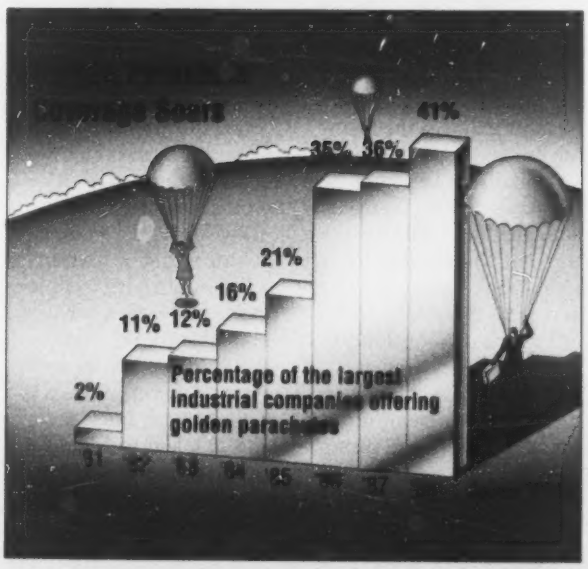

CHART: GLASGOW & ASSOCIATES

example, the company is able to reach a vast audience for far less cost. Half of the ad budget now goes to Europewide campaigns, a move that has allowed it to reduce the number of ad agencies used to mount its promotions from 60 to 4. The money formerly spent on duplicate creative work will be used to expand 3M's media exposure. "Before the EMATs, we would have had 17 different ad campaigns for the 17 countries we sell in," Warren says.

In anticipation of open borders, 3M has been preparing its extensive network of manufacturing facilities to capitalize on a host of new opportunities. While production capacity has been expanded, output has been concentrated at specific plant sites to take advantage of the economies of scale. A plant in Wales, for example, makes videotapes and videocassettes for the whole of Europe; the only difference is the language on the packages. New cost-cutting and quality-improvement techniques, including just-in-time inventory control and production methods, have been introduced on the plant floors. To reduce dependence on country-based warehousing and consolidate distribution centers by regions, electronic order-management systems are being installed that will link customers throughout Europe with 3M's nearest supply houses. Most of these changes, which would be difficult without the elimination of the old and complex customs barriers, move 3M toward its goals of slashing labor and quality costs and reducing product-development time 40 percent by 1990 and inventories one-third by 1992.

Warren may carry the consolidation trend much further into the structure of the European organization. As sales of given product groups reach a critical mass, he plans to centralize each in a regional headquarters, which would make it easier to respond to changing market conditions. Already 3M has made its first move in this direction by putting its large automotive- and aerospace-products group under one roof in Germany.

With December 31, 1992, still over three years away, the newfound cooperation among management in different countries is already having an impact: 3M has produced its first Pan-European consumer product—the Soft Scour cleaning sponge. It was developed in 3M's French consumer-products laboratory in 1987, manufactured in a Spanish plant, and marketed across Europe by its British subsidiary.

But even as the company accelerates its Pan-European strategy, it is trying to preserve the advantages derived from its time-honored position in local markets. Warren insists that in-country managers maintain as much local flavor in their operations as possible. Sales forces must consist of local people familiar with the language and customs of each country, and distribution managers must keep close track of the selling patterns peculiar to different nations. Since there are few mass merchandisers in Italy, for example, smart suppliers cater to the special needs of the small family businesses that dominate the economy.

As 1992 approaches, Warren is confident that 3M has made and continues to make all the right moves to reap the rewards of a united Europe. As he says, the company now has the right resources in the right places and finds remarkably few obstacles to its progress in the EC's deliberations. "We don't have to make any more major changes," he says. —*TOM MURRAY*

REALIGNING THE WORLD'S MARKETS AFTER 1992

	UNITED STATES	EUROPEAN COMMUNITY	JAPAN
Flag			
National Anthem	"The Star-Spangled Banner"	"Ode to Joy" (from Beethoven's Ninth Symphony)	"Kimigayo"
Population	248,451,000	325,200,000	123,220,000
Area (in sq. miles)	3,618,769	871,406	143,750
Gross Domestic Product (in billions of U.S. dollars)	$4,795.7	$4,727.2	$2,841.3
Total Imports (in billions of U.S. dollars)	$459.6	$1,081.3	$187.4
Total Exports (in billions of U.S. dollars)	$321.6	$1,063.6	$264.9
Average Hourly Earnings in Manufacturing (in U.S. dollars)	$13.90	$2.73 to $18.07*	$13.14
Unemployment Rate	5.5%	10.7%	2.6%
Inflation Rate (1st quarter, 1989)	4.8%	4.7%	1.1%

*Represents the range of average earnings found in the 12 EC countries. Portugal has the lowest and West Germany the highest.

Note: All are annual 1988 figures except Unemployment and Population, which are 1989, and where otherwise noted.

Sources: Bureau of Labor Statistics, Eurostat, International Monetary Fund, Organization for Economic Cooperation and Development, U.S. Bureau of the Census.

SCOTT PAPER COMPANY

MARKETING TO LOCAL TASTES

IT DIDN'T TAKE PROJECT 1992 to get Scott Paper Company chairman Philip E. Lippincott interested in Europe. He was interested because of the simple fact that Europeans, who ac-